Re: ARGENTINA: Loan No. 7473-AR (National Highway Asset Management Project-Phase II) First Amendment to the Loan Agreement

Excellency:

Please refer to the Loan Agreement (the Loan Agreement) dated June 27, 2008, entered into between the Argentine Republic (the Borrower) and the International Bank for Reconstruction and Development (the Bank).

In accordance with the findings of the Project's mid-term review of June 2011 with respect to the triggering of additional safeguard policies under the Project, and in response to the Borrower's (DNPOIC) letter No. 840 to the Bank, dated July 6, 2011, requesting the Bank to: (i) extend the Project’s Closing Date; and (ii) reallocate loan proceeds among disbursement categories, the Bank hereby proposes to amend the Loan Agreement, as follows:

1. Part 2 of Schedule 1 to the Loan Agreement is hereby amended to read in its entirety as follows:

“Part 2: Bridge Restoration and Construction Management

(a) Bridge restoration works for approximately eight (8) bridges of the Non-Concessioned National Road Network (which works consist of either the widening of the deck from less than seven (7) meters to about nine (9) to ten (10) meters or the total replacement and reconstruction of the pertinent bridge within the existing right of way); and

(b) carrying out of engineering design studies for the bridge restoration of about twenty bridges (20) of the Non-Concessioned National Road Network.”
2. Part 3 of Schedule 1 to the Loan Agreement is hereby amended to read in its entirety as follows:

"Part 3: Road Safety

(a) Design and implementation of a large-scale road safety pilot program in at least one corridor of the Non-Concessioned National Road Network (selected by DNV in accordance with criteria acceptable to the Bank), which program consists of, inter alia: (i) the design of a system to monitor and evaluate the impact of said program; (ii) the design of an education and communication strategy, including the implementation of selected activities under said strategy such as the upgrading of current road safety educational practices at schools and the carrying out of an awareness campaign along said corridor (including all urban centers within said corridor); (iii) the preparation of engineering designs for the upgrading of safety standards in said corridor; and (iv) the upgrading of safety standards, which upgrading consists of, inter alia, roadway edge widening and marking, placing rubble strips and obstacle shields along roadsides, placing horizontal markings, improving urban crossings and increasing size and quality of signs.

(b) (i) Upgrading of safety standards of about seven (7) selected critical black spots of the Non-Concessioned National Road Network, which upgrading consists of, inter alia, the improvement of lightning and lightning design, roadway edge widening and marking, placing rubble strips and obstacle shields along roadsides, placing horizontal markings, improving urban crossings and increasing size and quality of signs; and (ii) if necessary, construction works in said selected critical black spots, which works consist of replacing intersections by more efficient round-about arrangements."

3. Section I. C (a) of Schedule 2 to the Loan Agreement is hereby amended to read in its entirety as follows:

"C. (a) Without limitation to the provisions of Section 3.01 of this Agreement, the Borrower, through MPFIPS, shall cause DNV to carry out:

(i) the Project in accordance with a manual (the Operational Manual), acceptable to the Bank, which sets forth, inter alia: (A) the criteria for selecting the road sections to be rehabilitated and/or maintained under Part 1 (b) and (c) of the Project; (B) the criteria for selecting the bridges and roads to be benefited under Parts 2 and 3 of the Project; (C) the list of DNV's schools to be benefited under Part 4 (a) (i) of the Project, and the certification procedures to enable the financing of the Education Eligible Unit Cost; (D) the Project's chart of accounts and internal controls; (E) the format of: (1) the unaudited interim financial reports referred to in Section II. A.1 (b) (ii) of Schedule 2 to this Agreement; and (2) the Financial Statements; (F) the terms of reference for carrying out the Project audits under Section II.B.2 of Schedule 2 to this Agreement; (G) the Project indicators; (H) the Project disbursement and procurement procedures (including the price adjustment methodology referred to in Section III.A. 4
(b) of this Schedule); (I) the Resettlement Framework and the procedures to be followed by the DNV in carrying out preventive screenings and assessments associated with any potential Resettlement under the Project; (J) the Resettlement Remedial Action Plan; (K) the Indigenous Peoples Planning Framework; and (L) the Updated Environmental and Management Manual; and

(ii) (A) the works under Part 1 (a) of the Project in accordance with the provisions of the Environmental Evaluation and Management Manual; and (B) the works under the other Parts of the Project in accordance with the provisions of an Updated Environmental Evaluation and Management Manual, and/or the Resettlement Framework and/or the Indigenous Peoples Planning Framework (as applicable) which shall include, inter alia: (1) the environmental/social guidelines to be followed by DNV in carrying out the environmental/social screening and/or assessments referred to in Section I.D of this Schedule; (2) the procedures for the approval of the environmental/social management plans or similar environmental/social instrument, referred to in Section I.D of this Schedule; (3) the standard environmental/social provisions included or to be included in the bidding documents for the CREMA Contracts under Parts 1 (b) and (c) of the Project and for other works to be carried out under Parts 2 (a) and 3 of the Project which shall include provisions: (I) to minimize natural habitat conversion or degradation and to permit the maximum growth of natural vegetation (whether it is native grasslands, scrublands, or forests) within the pertinent right of way; and (II) whereby the contractor must comply with: (aa) the pertinent provisions of the corresponding environmental/social management plan or similar environmental/social instrument (as referred to in Section I.D of this Schedule); and (bb) the actions to be followed in connection with the finding of cultural property; and (III) to minimize the possibility of any Resettlement or any potential Resettlement impacts; and (IV) whereby the contractor shall comply with the pertinent provisions of the corresponding Resettlement Framework and any Resettlement Action Plan and/or the Resettlement Remedial Action Plan (as referred to in Section I.G (a) and (b) of this Schedule) and/or the Indigenous Peoples Planning Framework and any Indigenous Peoples' Plan (as referred to in Section I.G (c) of this Schedule), if applicable.”

4. Section I.D of Schedule 2 to the Loan Agreement is hereby amended to read in its entirety as follows:

“D. The Borrower, through MPFIPS, shall cause DNV to: (a) prior to the commencement of any works under the Project carry out, and/or cause to be carried out an environmental/social screening and/or an environmental/social assessment (as the case may be) of the pertinent works, and if determined by the Bank, approve and/or cause to be approved, an environmental/social management plan or similar environmental/social
instrument, acceptable to the Bank, for each said works (which plan or similar environmental/social instrument shall be based on the results of the environmental/social screening and/or environmental/social assessment mentioned herein, and the Bank’s comments on the results of said screening and/or assessment, if any), all in accordance with the provisions of the Environmental Evaluation and Management Manual or Updated Environmental Evaluation and Management Manual and/or Resettlement Framework and/or Indigenous Peoples Planning Framework (as the case may be); and (b) immediately after said approval, implement and/or cause to be implemented (as the case may be) the corresponding environmental/social management plan (or similar environmental/social instrument) in accordance with its terms.”

5. Section F (a) of Schedule 2 to the Loan Agreement is hereby amended to read in its entirety as follows:

“F. (a) The Borrower, through MPFIPS, shall cause DNV to operate and maintain, at all times during Project implementation, the DGA with a structure, functions and responsibilities acceptable to the Bank, including, inter alia, the responsibility of the DGA to assist DNV in: (i) the environmental/social screening and/or environmental/social assessment of each of the works to be carried out under the Project (as mentioned in Section I.D of this Schedule); and (ii) taking the appropriate actions to prevent and/or mitigate any potential negative environmental/social impacts under the Project which are within DNV’s jurisdiction.”

6. Section I. G of Schedule 2 to the Loan Agreement is hereby amended to read in its entirety as follows:

“G. (a) Without limitation to the pertinent provisions of this Agreement in respect of the carrying out of any works under the Project (other than those works covered under the Remedial Action Plan), and if as a result of the definition of the precise sitting alignments it is determined by the Bank that Resettlement will be involved, the Borrower, through MPFIPS, shall cause DNV to: (i) prior to the carrying out of any said works, prepare and/or cause to be prepared and furnish to the Bank, a Resettlement Action Plan, acceptable to the Bank (which plan shall be consistent with the pertinent provisions of the Resettlement Framework); and (ii) thereafter, implement and/or cause to be implemented, said Resettlement Action Plan in accordance with its terms and in a manner acceptable to the Bank.

(b) Without limitation to the provisions of Section I.G (a) above, the Borrower, through MPFIPS, shall cause DNV to comply and/or cause to be complied with the Resettlement Remedial Action Plan in a manner acceptable to the Bank.

(c) With respect to the carrying out of any works and/or activities under the Project and when so determined by the Bank as set forth in the IPPF, the Borrower, through MPFIPS, shall cause DNV to: (i) prior to the carrying out of any said work and/or activity, prepare and/or cause to be prepared and furnish to the Bank, an Indigenous Peoples’ Plan, acceptable to the
Bank (which plan shall be consistent with the pertinent provisions of the IPPF); and (ii) thereafter, adopt and implement (and/or cause to be adopted and implemented) said Indigenous Peoples’ Plan in accordance with its terms and in a manner acceptable to the Bank.”

7. Section III.4 (a) of Schedule 2 to the Loan Agreement is hereby amended to read in its entirety as follows:

“4. **Special Provisions.** Without limitation to the provisions in Section III A.1 and 2 of this Schedule, the following additional provisions shall also govern the procurement of goods, works and consultants’ services under the Project (as the case may be):

(a) (i) procurement of goods and works shall be carried out using standard bidding documents, including those referred to in Section I.M of this Schedule (which bidding documents in respect of works shall include, if applicable, a provision whereby the pertinent contractor must comply with the pertinent provisions of: (A) the Updated Environmental Evaluation and Management Manual and the corresponding environmental/social management plan or similar environmental/social instrument; (B) the Resettlement Framework and the corresponding Resettlement Action Plan and/or the Resettlement Remedial Action Plan, as applicable; (C) the IPPF and the corresponding IPP, as the case may be, all as referred to in Sections I.C (a) (i) and (ii), D and G of this Schedule, respectively) and standard requests for quotations/proposals, all acceptable to the Bank, which shall all include, *inter alia*, a settlement of dispute provision; and

(ii) procurement of consultants’ services (in respect of firms) shall be carried out using standard requests for proposals, all acceptable to the Bank, which shall include, *inter alia*, a settlement of dispute provision;”

8. The table in Section IV.A. 2 of Schedule 2 to the Loan Agreement is amended in its entirety to read as follows:

<table>
<thead>
<tr>
<th>“Category”</th>
<th>Amount of the Loan Allocated (expressed in USD)</th>
<th>Percentage of Expenditures to be financed</th>
</tr>
</thead>
<tbody>
<tr>
<td>(1) Works</td>
<td></td>
<td></td>
</tr>
<tr>
<td>(a) under Part 1 (a) of the Project</td>
<td>106,000,000</td>
<td>74%</td>
</tr>
<tr>
<td>(b) under Part 1 (b) of the Project</td>
<td>251,250,000</td>
<td></td>
</tr>
<tr>
<td>(c) under Part 2 (a) of the Project</td>
<td>15,800,000</td>
<td></td>
</tr>
<tr>
<td>(d) under Part 3 of the Project</td>
<td>16,300,000</td>
<td></td>
</tr>
<tr>
<td>(2) Goods</td>
<td>3,000,000</td>
<td>70%</td>
</tr>
<tr>
<td>(3) Consultants’ services: Training</td>
<td>4,750,000</td>
<td>100%</td>
</tr>
<tr>
<td>and Operating Costs</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
(4) Education Eligible Unit Cost  | 2,900,000  | 100%

(5) Front-end Fee  | 0  | Amount payable pursuant to Section 2.04 of this Agreement in accordance with Section 2.07 (b) of the General Conditions

(6) Premia for Interest Rate Caps and Interest Collars  | 0  | Amounts payable pursuant to Section 2.08 (c) of this Agreement

TOTAL AMOUNT  | 400,000,000

9. Section (c) (vii) of Schedule 4 to the Loan Agreement is hereby amended to read in its entirety as follows:

"(vii) to take or permit to be taken all action to enable the Borrower to comply with its obligations set forth in Sections 3.01 and 3.02 of, and Schedule 2 to, this Agreement (as the same may be amended from time to time with the agreement of the Bank) in respect of the carrying out of the Project by DNV."

10. The following new definitions are added (in its corresponding alphabetical order) to the Appendix to the Loan Agreement:

"‘Indigenous Peoples Plan’ or ‘IPP’ means any of the plans acceptable to the Bank, adopted by the DNV, when applicable, as set forth in the Operational Manual, all prepared and to be carried out following the requirements of the Indigenous Peoples Planning Framework."

"‘Indigenous Peoples Planning Framework’ or ‘IPPF’ means the Borrower’s framework dated December 2011, acceptable to the Bank, adopted by DNV, and available to the public on the website of the Borrower’s MPFIPS and DNV, setting forth the indigenous peoples policy framework applicable to all the activities to be carried out under the Project and the basis and procedures to prepare specific indigenous peoples’ plans or related instruments during Project implementation."

"‘Resettlement Action Plan’ means the resettlement plans, acceptable to the Bank, that may be completed during the implementation of the Project for the carrying out of works, which shall follow the relevant provisions contained in the Resettlement Framework and which may be amended from time to time with the prior no objection of the Bank."

"‘Resettlement Framework’ means the Borrower’s framework dated November 2011, acceptable to the Bank, adopted by DNV and available to the public on the website of the Borrower’s MPFIPS and DNV, outlining implementation procedures, mitigation measures and monitoring procedures in relation to any Resettlement under the Project; as said framework may be amended from time to time with the Bank’s prior approval."
“Resettlement Remedial Action Plan’ means the Borrower’s plan dated November 2011, acceptable to the Bank, prepared and adopted by DNV, and available to the public on the website of the Borrower’s MFSIIPS and DNV with respect to Malla 107A, Malla 107B, and Malla 434, setting forth the remedial actions applicable to said works carried out under Parts 1(b) and (c) of the Project, and a timetable to carry out said actions.”

All other provisions of the Loan Agreement, except as amended herein, shall remain in full force and effect.

Please confirm your agreement to the foregoing amendment by signing and dating this Amendment Letter in the spaces provided below. This Amendment Letter will be executed in two counterparts, each of which shall be deemed an original and one of which shall be returned to us. The provisions of this Amendment Letter will become effective as of the date of your countersignature, upon receipt by the Bank of one fully executed original of this Amendment Letter.

Please also note that the restructuring paper dated December 20, 2011 will be disclosed on the Bank’s external website.

Sincerely,

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

By Penelope J. Brook
Director
Argentina, Paraguay and Uruguay
Latin America and the Caribbean Region

AGREED AND CONFIRMED:

ARGENTINE REPUBLIC

By: (Authorized Representative)
Name: Hermin Lorenzino
Title: Ministerio de Economia y Finanzas Publicas
Date: - 2 AGO 2012